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STATE OF CALIFORNIA
INTEGRATED WASTE MANAGEMENT BOARD
ROUNDTABLE DISCUSSION OF THE
TIRE PRODUCT COMMERCIALIZATION GRANT PROGRAM

JOE SERNA, JR., CALEPA BUILDING
1001 I STREET
2ND FLOOR
COASTAL HEARING ROOM
SACRAMENTO, CALIFORNIA

WEDNESDAY, JULY 7, 2004
2:00 P.M.

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CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 12277

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

BOARD MEMBERS

Rosalie Mul

Michael Paparian

Cheryl Peace

STAFF

Linda Dickinson, Waste Management Specialist, Grant
Manager

Mitch Delmage, Supervisor, Waste Tire Diversion

Jim Lee, Deputy Director

ALSO PRESENT

Michael Blumenthal, Rubber Manufacturing Association

Mark Deakins, Vulcan Industries

Joe Dvoracek, Three D Traffic Works

Mike Korte, Tri-C Manufacturing

Michael Harrington, BAS Recycling, Inc.

George Larson, Waste Management

Terry Leveille, TL & Associates

Jana Nairn, Golden By-Products

Barry Takallou, CRM

Bruce Wills, TieTech International

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1 PROCEEDINGS

2 DEPUTY DIRECTOR LEE: Thank you all for coming
3 today. My name is Jim Lee. I'm the Deputy Director for
4 the Special Waste Division.

5 What we're going to have for you this afternoon
6 is a workshop on the Tire Product Commercialization Grant.
7 What we're trying to do is elicit your input on how the
8 program is doing, changes that you think might be
9 desirable. Then we want to respond to issues that have
10 been brought up in the regulated community and among
11 various of our Board members. Speaking of which, we have
12 two of our Board members in that are in attendance today,
13 Board Member Cheryl Peace, who's the Chair of the Special
14 Waste Committee, and Board Member Michael Paparian. In
15 fact, I'd like to ask Mr. Paparian to perhaps give a few
16 opening remarks here.

17 COMMITTEE MEMBER PAPARIAN: Thanks.

18 I guess I'm partly to blame for this afternoon
19 workshop. Actually, when we put together the Five-Year
20 Tire Plan last time around, one of the things that was
21 important to me was to try to put in there provisions for
22 some regular roundtable discussions. We do have a
23 roundtable in the room. Some regular roundtable
24 discussions on issues affecting the tire program.

25 And it's my hope as we move along with both

1 implementation of the existing Five-Year Plan and the
2 development of the new one that we build on the public
3 open and collaborative processes we've had in the past and
4 even improve on these and be as open to involvement and
5 input as possible as we move forward with some of the
6 issues we'll be facing.

7 DEPUTY DIRECTOR LEE: Thank you, Mike.

8 Again, like I said, I want to emphasize the
9 importance of your comment input here today. Again, it
10 may well have an influence, again, on the allocations for
11 the Commercialization Grant Program this Fiscal Year 04/05
12 and, again, be the kind of preliminary input for the next
13 biennial Five-Year Plan update which will be commencing
14 here later on this fall. So, again, your comments are
15 important.

16 For those of you who may be listening -- I don't
17 know if we're on the web or not today, Mitch, but for
18 whatever reason you weren't able to attend and you still
19 have some comments that you want to deliver, we'll be
20 accepting e-mails and other written correspondence for two
21 weeks after today's workshop, just to make sure that we
22 give everybody the maximum opportunity to say their peace.

23 With that, I'd like to move on to have Mitch
24 Delmage of our Tire Branch kind of layout the framework
25 for the discussion here this afternoon.

1 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Thanks,
2 Jim.

3 My name is Mitch Delmage. I'm the Manager for
4 Waste Tire Diversion.

5 First, I'd like to make sure everybody has signed
6 in. We want to keep a record of everybody that came,
7 especially your e-mail address, so we can keep you in the
8 loop on anything that's upcoming.

9 Also, a reminder, if you have your cell phones,
10 please put them on vibrate or turn them off. Rest rooms
11 are down on the side.

12 We'll probably be taking a short break about 3:30
13 to allow our court reporter to take a little breather.

14 As Jim mentioned, we're being broadcast over the
15 internet, anybody out there, if you have any questions or
16 would like to include your comments, send them to
17 tirebranch -- all one word -- @ciwmb.ca.gov.

18 Just a little bit of the history on the
19 Commercialization Grant Program. It's been around in one
20 form or another since about 1991. Over the course of that
21 time period, it's evolved. It originally was more of an
22 R&D grant program trying to get new products up and
23 running. And over the years it's evolved. It started to
24 move toward bringing products to commercialization, and
25 now we're seeing a lot of the grants go toward expanding

1 existing operations. There's been about \$10 million
2 awarded over that time period.

3 Now, what's brought us here today is that, of
4 late, there's been -- well, for the last few years there's
5 been questions about the grant program, various types of
6 controversies, perception issues about the criteria,
7 things of that nature, issue of out-of-state competition,
8 out-of-country competition has been brought up, the grant
9 amount not being sufficient. And earlier today at our
10 Committee meeting we heard suggestions that the tipping
11 fees were too low in California and didn't allow for fair
12 competition for tires to go to recycling. So those are
13 some of the things that brought us here today.

14 The three primary issues that we want to address
15 today is the overall effectiveness of the program. How to
16 measure an applicant's financial viability to participate
17 in the program. And the question that's come up recently
18 that we really want to ask your input about is, might this
19 be better as a loan program rather than a grant program?
20 So these are the three big topics that we want to tackle
21 today.

22 We have ahead of us a great opportunity, because
23 timing is everything. And we're about to enter into the
24 biennial review of the Five-Year Plan. So you know, this
25 roundtable today will feed into that process quite nicely.

1 So your input is going to be of great value to us.

2 Our guiding principal, not only for this grant
3 program, but also for the tire program in general, is to
4 divert tires from disposal. That's what we're all about.
5 And we want to find a way to balance that with the money
6 that we're spending. We want to effectively spend our
7 money to divert tires. This program is part of that.

8 So the purpose of this meeting is to gather input
9 from the stakeholders, examining, refocusing this grant
10 program, if you feel it needs it, discuss reasons to
11 change or not to change the grant program, and to
12 strategize about how to implement any changes that we come
13 up with. So we've taken kind of a question and answer
14 format to structure our discussions.

15 So we're first going to maybe start out on a
16 positive note and see if you can find some good things to
17 say about us, whether it be good the grant program or the
18 loan program, because I know that many of you have
19 received both grants and loans.

20 Then we'll move into the tougher part. You know,
21 where do we need improvement? Where do these programs
22 fall short of expectations or meeting the needs of the
23 tire industry?

24 And then we want to look at how to focus the
25 program in three primary areas. The first area is, as I

1 mentioned, we've evolved from an R&D kind of grant program
2 to more of an expansion of existing commercialization. Do
3 we need that focus shifted backward or forward?

4 Also, the product line. Where should we be
5 spending the money? On equipment for shreds and chips?
6 To make crumb rubber? Or the final molded rubber
7 products. So those are some things we want to get over.

8 And then the criteria. We've had a lot of
9 discussions on the criteria over the years. And they've
10 evolved. And we want to get your input on what criteria
11 works for you and what doesn't work.

12 And then, finally, we want to take what we've
13 heard and maybe come up with solutions. We know what
14 we're doing right. We know what's going wrong. We talk a
15 little bit about the focus. How do we take all that
16 information and put it into some type of implementation
17 strategy?

18 So that's what we hope to get out of this. We
19 have a fairly short period of time. Because it's being
20 broadcast, we need to use the mics, so it will maybe slow
21 us up in that regard. But there's not a whole lot of us
22 here. So Linda Dickinson of our staff will start it with
23 the mics.

24 So let's go ahead and find out, what have we done
25 right? What can you say good about the grant program?

1 What can you say good about the RMDZ Loan Program as it
2 relates to tires?

3 Any takers? Okay. We got one, Linda.

4 MS. NAIRN: I'll break the ice and get it
5 started. It's easy to talk good things about it when you
6 are a beneficiary, I guess I would say. My name is Jana
7 Nairn representing Golden By-Products and Ag Link,
8 Incorporated.

9 I have experience both with the loan program and
10 the grant program through the two companies. And I can
11 say without hesitation that the grant program and the loan
12 program have both been instrumental in the development and
13 success of our business to where we are today in being
14 part of the solution for the scrap tire situation in
15 California.

16 So I won't go into much detail, but say they've
17 both been very important for the development of our
18 business, which started in '97. And we've seen the
19 evolution and think it's headed in the right direction and
20 are pleased to be a part of this discussion today.

21 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Thank
22 you. Also like to acknowledge --

23 DEPUTY DIRECTOR LEE: Before we move onto the
24 next person, I just want to acknowledge the presence in
25 the audience of Board Member Rosalie Mulé.

1 Again, I think the Board members' presence, all
2 of them, today signifying the entire Board's interest in
3 this particular grant program and how we go about
4 effecting change in it.

5 Who's next? I see Terry. Did you have your hand
6 up?

7 MR. LEVEILLE: I'm Terry Leveille. I'm publisher
8 of the California Tire Report and have written a number of
9 successful and a couple of unsuccessful grants for this.
10 And I represent Lakin Tire from time to time, although
11 we've got another member here that writes the grants for
12 Lakin. I don't do that.

13 I just want to mention -- just to piggyback on
14 one of Mitch's things talking a little bit about the
15 history of the program. Originally, when they started out
16 in '91, '92, as you say, it was an R&D type of program.
17 And one of the criticisms that quickly came to the floor
18 was that the grants were given to a variety of so-called
19 pie in the sky type projects, including such things as
20 this earth ship. I remember Board Member Sam Egigian at
21 that time criticizing the Board for giving \$60,000 or
22 \$100,000 to this earth ship, which is basically a house
23 made out of tires up in the Lake Tahoe area. Staff got
24 criticized significantly on that.

25 And the Board did start moving toward this

1 commercialization program. They renamed it the Tire
2 Product Commercialization Program and started, as Mitch
3 said, looking at helping the, at that time, nascent tire
4 recycling industry into bringing products and equipment so
5 these companies can be more adaptable in commercialization
6 and developing markets.

7 That, for the most part, has been sort of the
8 essence of what we're experiencing now. And those
9 companies that got those first few \$250,000 grants or
10 \$100,000 grants now became sort of the established tire
11 recyclers throughout the state, including Golden
12 By-Products, Lakin, and a number of others.

13 And now what we're seeing is the use of the grant
14 program to facilitate equipment improvement. And we're
15 seeing occasionally new companies coming to the floor, but
16 we're seeing a lot of grants going to the same companies.
17 And that's not necessarily a bad thing. I mean, the
18 companies have improved their product lines. Companies
19 like Lakin, for one, which at one time was just focused on
20 used tires and taking tires to landfills, was able to
21 expand its line so it's able to make tire-derived fuel,
22 which is not a nice word as far as the Board is concerned
23 right now. But also making civil engineering chips for a
24 variety of products.

25 And I see that right now we're sort of at a cross

1 roads, because the number of people have -- almost every
2 single time the grant program has been let go, there's
3 that criticism. Some from unfair competition. Some say
4 that the evaluation process is unfair, et cetera, et
5 cetera. And I see this is a really important workshop for
6 delving into some of those problems and exploring some
7 areas that maybe we should do some changes. Maybe we
8 should keep it the same for this year. Maybe look at
9 changes next year. I don't know. But I think it's a
10 really well thought out idea to get this roundtable going.

11 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Thank
12 you, Terry.

13 We also asked people to e-mail us with questions
14 or comments before the meeting that might not be able to
15 attend. So this came from Rick Snider, President of U.S.
16 Rubber, just adding to what we've done good. And this
17 goes to the loan group.

18 He said, "I would also like to give the Loan
19 Department staff, which has an excellent track
20 record for performing thorough due diligence, the
21 responsibility of checking out the financial
22 worthiness of each proposed recipient."

23 So one of the reasons I wanted to ask you this
24 question about what we've done right is many times I've
25 seen when we go in and change a program, we might fix some

1 of the problems, but we also might spoil some of the
2 things that go right. So that's why I think it's
3 important that we know what we're doing well. So I would
4 encourage you if you don't have anything now, to please
5 e-mail us or give us a call. Give us some input in that
6 regard, so we know what's working so we don't mess with it
7 too much.

8 All right. Now let's move on to the part that I
9 think you're all here for, areas that need improvement.

10 Yes, sir.

11 MR. TAKALLOU: I'm Barry Takallou with CRM
12 Company.

13 Before we move on to the next section, I believe
14 in Fiscal Year 01/02 at least there were ten of these
15 grants were awarded and -- nine, which was in the range of
16 2.2 million. Each of these grants required to recycle at
17 least 250,000 tires. These grants got closed first of
18 May.

19 My question for the staff is, to gauge this
20 program, now we have some samples of these nine grants.
21 Did we achieve -- how many tires -- did we actually
22 increase the number of tire recycling from '01? We spent
23 \$2 million. Did we -- the first round I thought it was
24 already closed.

25 WASTE MANAGEMENT SPECIALIST DICKINSON: You're

1 right.

2 MR. TAKALLOU: It was already closed. And I
3 requested two weeks ago -- I called Board Member Peace
4 office, and I said it would be beneficial for this meeting
5 to have some of those results. We are talking about some
6 things we should -- you know, the data is available and
7 not given to us. Can we just see how many of these nine
8 actually went in and executed the agreement and how many
9 tires got really got recycled?

10 As far as I know, back in '01 we had seven tire
11 recycling plant in the state. Now we are down to three.
12 So it looks like we're recycling less tires when we're
13 spending money on these programs. So what is wrong? And
14 what happened to those nine projects? How many of those
15 actually was awarded?

16 WASTE MANAGEMENT SPECIALIST DICKINSON: How many
17 spent their money? One withdrew, because they were -- it
18 was Waste Tire Products.

19 I'm Linda Dickinson.

20 And one withdrew, Waste Tire Products, because
21 they weren't ready to start the process. So they got a
22 grant this year.

23 Another one went out of business, Bay Area Tire
24 Recycling.

25 And the other ones were such grants as Ag Link,

1 Eco Block, Environmental Molding Concepts, Golden
2 By-Products, Huffco Manufacturing, Rubber Sidewalks, and
3 U.S. Rubber. So all of those were pretty successful
4 grants. I don't have the exact figures on how many tires
5 they recycled, but they were pretty successful and
6 well-known companies, all the rest of those. There are
7 two of them that did no work. One withdrew. No money was
8 expended. And Bay Area Tire Recycling, unfortunately,
9 went out of business.

10 DEPUTY DIRECTOR LEE: Mr. Takallou, to make your
11 point there in regards to that. Do you have a suggestion
12 on how you think we might be able to do this better?

13 MR. TAKALLOU: My suggestion is for us to sit
14 here and discuss this, we need to actually see if this
15 achieved its objective. If people they just write
16 proposals and they did not achieve their objectives -- for
17 instance, we're putting so much emphasis on molding
18 products and you can build so many playground mats. And
19 we all know it's not going to recycle these 250,000 tires,
20 because why? We are down to three tire recyclers because
21 there's no market.

22 DEPUTY DIRECTOR LEE: Right now -- I guess if you
23 can just expand on that. Right now there is a statutory
24 consideration that provides that kind of preference for
25 molded rubber products. Are you suggesting that we need

1 to change that emphasis in statute?

2 MR. TAKALLOU: I'm just a manufacturer. I'm not
3 deal with laws here. I'm just -- you know, like this
4 morning Board Member Peace mentioned there was a cleanup
5 job which cost \$170 per tire. You know, that's not very
6 wise way of using the tire money. You know, I don't want
7 to just keep, you know, using these requirements. We have
8 to require spending this much money because it's required
9 by Legislature. We have to make the same mistake over
10 again.

11 DEPUTY DIRECTOR LEE: Again, like I said, I'm
12 just trying to elicit what the feeling is. Statutes can
13 be changed. Again, I'm trying to -- as Mitch said in our
14 opening remarks, what we're trying to see is how the
15 community thinks, you know, the grant program is working.
16 So I appreciate your suggestions in that regard.

17 MR. TAKALLOU: My whole point is there were seven
18 successful projects. Seven times \$250,000 was used. How
19 many tires was recycled?

20 BOARD MEMBER PEACE: In regards to what
21 Mr. Takallou was saying, I had asked staff to put together
22 a little chart for me listing the grants that we've given
23 and the amounts so that I can see how effective this
24 program was. And, actually, I had asked also could they
25 tell me how many tires these companies had diverted? If

1 they could figure out how many they diverted. How many of
2 these are still in business? What products do they make?
3 Are they all making the same thing and competing against
4 each other? Are they making different thing. And whether
5 the loans were for something new or whether they were for
6 expanding an existing business.

7 So you know if this -- I don't know who put this
8 together. But if we could expand on this chart, I think
9 it would really help me know what our money was going for
10 and so we can better evaluate this program. I know it
11 would help me.

12 MR. HARRINGTON: My name is Mike Harrington. I'm
13 with BAS Recycling.

14 And responding to your question of, you know,
15 what direction would you like to see this go and where can
16 we help, one of the things that I think is missing from
17 this is the California Integrated Waste Management Board
18 receives their appropriation from the California Tire
19 Recycling Management Fund to administer the Tire Recycling
20 Act. And yet, we've gone from seven recyclers down to
21 three. That, on its face, does not speak real well to how
22 the California Integrated Waste Management Board has been
23 managing its funds.

24 I don't care how many excellent things you come
25 up with to make out of crumb rubber. If there are no

1 California tire recyclers making crumb rubber, it makes no
2 difference.

3 And to go a little further, over the past three
4 years, I mean, we have been hit, as all of California has
5 been hit, not only with workmen's compensation increases
6 and high utility costs. We're no different than anybody
7 else there. But we had extra burdens of out of state, out
8 of country competition coming in that's at dumping prices.
9 We've had just a severe cutback in the amount of
10 rubberized asphalt concrete used by the state because of
11 budgetary woes. I mean, it goes on and on and on.

12 And here we're talking about how are we going to
13 help somebody expand their product line to use another
14 little bit of crumb rubber, when one of the things I think
15 we ought to be saying is, what can we do with the tire
16 recycling industry to make sure that they're here today,
17 tomorrow, to help them modernize and become more
18 efficient. And if the tire recycler becomes, through
19 equipment purchases, a more efficient producer, he, you
20 know, automatically is going to be recycling more tires.

21 The other thing you want to do is to make sure
22 that he's recycling California tires. And that is
23 something that is directly -- could be directly affected
24 and is directly affected by Board decisions through what's
25 allowed at landfills, whether ADC is a beneficial use or

1 not.

2 One of the goals, if you read California's
3 Charter, is to promote the highest and best use of the
4 waste materials to be recycled -- or to be diverted from
5 landfills. And recycling to crumb rubber would seem to be
6 extremely more beneficial than landfilling the tires. And
7 I am not saying ban everything. But I'm saying, boy, we
8 need to refocus where our efforts and money are going, to
9 make sure that there is a tire recycling industry.

10 Because to go a little bit astray here, I think
11 that's what the Legislature was looking for when they
12 created these things, was tire recycling. That's what
13 they named the Act. That's what they named the funds.
14 This isn't the California Landfilling Act or the
15 California TDF Act. It's the California Tire Recycling
16 Act. And I think the Board better concentrate on
17 supporting that industry, or it's going to disappear. And
18 I'll wait until later and I have more to say. But that's
19 it for now.

20 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Thank
21 you.

22 Dr. Takallou, one of the things that you brought
23 up, I think, is very important. One of the shortcomings
24 of the grant program has been it's so short. You know,
25 the money is only good for three years. It gets awarded

1 toward the end of the first year. And I think in the 2001
2 case, it was actually delayed for other reasons as well.
3 So that only leaves two years for a company to take the
4 money and do whatever they're going to do with it and
5 bring it up to speed. So it's very hard to measure that
6 they've met their goals at the end of such a short
7 process. And that's one of the things that the loan
8 program has over the grant program. It's a longer period
9 of time so that we can track the effectiveness of the
10 money. So it's a good point that you brought up.

11 BOARD MEMBER PEACE: Just in response to that, to
12 me it doesn't matter whether it's a grant program or a
13 loan program. We should be able to track the
14 effectiveness of our money. I mean, there's no reason we
15 can't call some of these businesses that we gave a grant
16 to, you know, four or five years ago and say, "Hey, are
17 you still in business? How is it going? How many tires
18 are you diverting?" That's no reason we still can't do
19 that.

20 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: That's
21 true.

22 BOARD MEMBER PEACE: Just because once the
23 money's gone we say, "Oh, we forget about you."

24 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Very
25 true.

1 Yes, George.

2 MR. LARSON: George Larson. I was the one I
3 think Terry referred to that wrote the grants for Lakin
4 Tire.

5 And I want to kind of try to put it in a
6 perspective that I've developed over a number of years.
7 You know, if we looked at what the tire situation was in
8 California ten years ago and we look at what's going on
9 today, there's been enormous improvement, enormous
10 increases in the volume of tires that are going to higher
11 end use. And not to take issue with what the definition
12 of recycling is, but there are new and innovative
13 activities beyond crumb rubber. And crumb rubber is very
14 critical and very important. And they have their own set
15 of externalities to deal with, with those dumping of
16 materials into the California marketplace.

17 But we've been very successful. I don't always
18 win. I wrote two grants last cycle and didn't get any
19 funding. But one of the reasons I didn't get funding for
20 our grants application -- I'll just say one reason. Maybe
21 they weren't of the quality of some of the other grants.
22 We go in five points to merit for having received grants
23 in the last two cycles. There's other limitations on
24 points that have been imposed.

25 Now, recycled product purchasing and procurement

1 is important, and it ought to be a mandatory thing. But,
2 you know, why associate it with a point scale for the
3 merits of the quality of a project to say you've got to
4 have it or you don't qualify. You know, take that out of
5 the point schedule.

6 We had a maximum allowable of 85 points going
7 into the grant program. So we're at a 15 percent deficit,
8 if you will, to a new grantee. I think new grantees are
9 terrific, because new innovation -- Ms. Nairn's company,
10 they used to crack walnuts or something. Now they make
11 all kinds of things. They've applied it to -- all right.
12 Whatever it is. You've got new companies come in, and you
13 guys ought to open the doors to those kinds of innovative
14 technologies, but don't penalize -- Lakin's the biggest.
15 We handle 11 million tires a year. None go into illegal
16 tire piles or legal tire piles.

17 So I don't have a real problem with your program
18 overall, because we've benefited from it. State of
19 California has benefited from it. But I think you need to
20 loosen the reigns a little bit. And we've got political
21 issues about whether the tires should be used for
22 feedstock, for production of energy. I'm not even going
23 to comment on it. But that's something that's been taken
24 off the table for whatever reason. And so that's
25 another -- this is the only pot of money for the private

1 sector. All the rest of it is statutorily allocated to
2 specific purposes.

3 So we need the maximum flexibility to allow the
4 maximum creativity. Maybe not limiting each cycle, well,
5 this time we want molded rubber products, which I'm not
6 sure if that was in 876 or in the Five-Year Plan. But in
7 any event, that's a priority. It gets more points than
8 other types of activities. Flexibility ought to be
9 something we think about.

10 BOARD MEMBER PEACE: George, you said Lakin
11 didn't have any recycled products?

12 MR. LARSON: We do.

13 BOARD MEMBER PEACE: That shouldn't take points
14 away from you, then.

15 MR. LARSON: We've had it every time we applied
16 for a grant. Once we've got it -- and you know, just by
17 certifying on our application form that we have an
18 approved and maintain that approved recycled procurement
19 policy ought to be enough without entering that into the
20 point schedule. It ought to be all or nothing. To
21 qualify for any of this money, you should have --

22 BOARD MEMBER PEACE: Be in the scoring criteria
23 that make that just a grant eligibility requirement.

24 MR. LARSON: Right.

25 WASTE MANAGEMENT SPECIALIST DICKINSON: It's

1 because it's one business. And we had it for local
2 government, it's a good thing because it effects a lot of
3 people. But for one business all they have to do is fill
4 out a memo saying they have it and they get ten points
5 automatically and check some boxes. It's pretty easy ten
6 points on the application.

7 And in regards to the molded rubber products,
8 it's indicated in a recommendation in 817, and 876 refers
9 to the recommendations made in 817. That's why it's
10 legislation.

11 MR. KORTE: I'm Mark Korte with Try-C Tire
12 Recycling. We are still one of the granulators still left
13 in the state, thank goodness.

14 We just received a grant this last go-around, and
15 I'll let you know in about a year whether I like the
16 process or not, after we get through the entire grant
17 process.

18 We've been in the tire recycling business
19 basically since about 1979, both with the prior company,
20 with equipment. The newer company we now do the total
21 tire recycling. That's a bad word. A complete tire
22 recycling. Excuse my faux pas. Not enough of you in the
23 room, I guess, remember what I'm talking about. I'm
24 sorry.

25 In any case, one of the things that we talk

1 about, at least when we sit down amongst ourselves, is
2 competition, the granulation folk. And grants can effect
3 the way the competition is in the state. If a particular
4 company -- and I think why that minus point system came
5 in, George, was we had companies get it year after year
6 after year, and it tends to sway how it effects the
7 marketplace throughout the state.

8 But we also look at competition from over, you
9 know, in other countries and in other states. And it
10 seems to me that the Waste Board did a lot of work years
11 ago developing the asphalt rubber business, and now we've
12 simply turned that business over to our Canadian friends.
13 And I think it's unfortunate. I think if we would have
14 kept an even keel, we may not have lost as many of the
15 processors in this state that we've lost.

16 We start out with some disadvantages. We have
17 very high utility costs. My workers' comp this last go
18 around, not only did they increase my rate, but the
19 classification, they added another 40 percent premium on
20 my major classification for my employees. So, you know,
21 it's just like they put a stake through your heart and
22 you're pushing away the arm of the grip reaper. It's not
23 quite that bad, but it creates a good mental picture.

24 We need to figure out, I think, collectively what
25 we can do to enhance the grant program to help support

1 those of us that have supported California workers and
2 California taxes over the years and enable us to hopefully
3 reap that pot, that every allusive rainbow.

4 How can we restyle this so it doesn't affect
5 competition so much and still allow George and Lakin
6 Company to participate in some way? How do we develop a
7 market and keep the Canadian rubber out? The Board took a
8 very nice step a couple years ago and demanded that those
9 that have received a grant not be able to buy Canadian
10 rubber. But, you know, that's just one step. Are there
11 others that we can think of to do?

12 I hope the grant continues in some form, whether
13 it be in a loan process or a grant process or some other
14 ways of qualifying how we can make it work for those of us
15 here and for those of us that might develop some very,
16 very good ideas to either process rubber or implement how
17 it's used.

18 MR. DVORACEK: Hi, I'm Joe from Three D Traffic
19 Works. We just got our first grant this year. We're just
20 about to start our project.

21 A couple things that -- in my business, we do
22 highway safety products. And highway safety products, it
23 can't really be measured over a year or two years.
24 Because what happens is we come up with the idea. We
25 create the product. And then we have to be approved in

1 every state that we sell our product in.

2 So if I make a delineator -- those are those
3 orange products with the recycled tire rubber base on the
4 bottom. I have to get that 350 approved. That means
5 NCHRP 350. Washington has to approve my product, which
6 means I have to go through the approval process. My
7 product has to be hit six times at 62 miles an hour.
8 Whatever the process, whatever the test, we have to go
9 through testing for every one of our products. It takes
10 years for us to get approved. And certainly, you know,
11 years beyond that to get every state to recognize that
12 we're approved so we can sell our product in every state.

13 So when you're saying, you know, we've got our
14 expectation to do 250,00 tires or whatever it is, in my
15 business it doesn't happen the first year. We have to go
16 through this really lengthy process. And so you can't
17 say, "Joe, you didn't make your number this year." Hey,
18 you know, we have the whole bureaucratic chain to go
19 through.

20 And something else that happens, we're talking
21 about electricity. We're talking about work comp. Those
22 are very real things. But, you know, on my side, I
23 compete against China. I mean, Caltrans, our biggest user
24 in the state, buys from China. Their grates are polyvinyl
25 chloride, which cannot be recycled any place in the state.

1 There's nothing to do with that base but throw it in a
2 dump. And many would consider that a carcinogenic. And
3 that's who I compete against. And we support them. And
4 that makes it really tough to compete.

5 And so people have to understand -- you know,
6 there's a couple things we're competing against. And
7 definitely the Canadian rubber kills us. You know, some
8 of my bases weigh 30 pounds, 40 pounds. Well, I can buy
9 Canadian rubber 3 cents less a pound. What is that? A
10 buck 20 less than a base that I'm probably making 50 cents
11 on. I mean, there's a massive advantage to using Canadian
12 rubber. And we're not going down that road. But I'm just
13 telling you why guys like these guys have a hard time in
14 business. They're killing us with that rubber. They're
15 just dumping it here.

16 And, you know, we've got to figure out a way to,
17 you know, maybe look at our Caltrans and people like that
18 and say, you know, if we're using state money, we have to
19 support state grant programs. I don't know how the
20 language goes. But I'm just saying that that needs to
21 become a real important thing. Because that's becoming
22 more and more prevalent in our industry.

23 MR. BLUMENTHAL: Thank you.

24 My name is Michael Blumenthal. I work for the
25 Rubber Manufacturers Association with the principle trade

1 group that represents the seven U.S.-based tire
2 manufacturers. We are not based here in California, but I
3 have some observations.

4 Probably the first observation is that, indeed,
5 the grant program has changed over time, but so has the
6 tire industry. Things that you did ten, twelve years ago
7 were probably needed ten, twelve years ago. And things
8 that were needed four years ago or five years ago in the
9 way of production capacity were probably needed then. But
10 the marketplace has changed. And so with that, I think
11 your grant program needs to look at which way the markets
12 are going.

13 I take exception to the statement that when you
14 process a tire in any shape, manner, or form that that is
15 recycling. That is processing. I think one of the things
16 that got the state into the situation that it currently
17 has is that there were so many tire recyclers out there
18 that you were awash in the raw product in the capacity to
19 process tires. Processing is important, but it's part of
20 the overall process. It's not an end into itself. It's
21 an important middle step. But the goal is to create
22 markets, not to create production capacity.

23 In part, you have seven processors because of the
24 situation that was in California. And I would suggest
25 that you probably have three or four now in the state.

1 That production capacity probably equals the market
2 demands. So you probably have reached market equilibrium.

3 What does this mean to me? It means that if
4 you're going to increase the number of tires going into a
5 market, you can't rely on the existing market capacity.
6 Probably reach that point of equilibrium of supply and
7 command.

8 There are other markets. There are other
9 opportunities. This is where I think the market -- where,
10 certainly, the grant program should be looking. Because
11 if what you're going to do is go back and look at the same
12 markets that you have been looking at and working in, I
13 think you'll find yourself in the same kind of position
14 that you found yourself two, three years ago: Seven
15 companies competing after a very small market base. And,
16 hence, four went out of business.

17 The only way to increase the number of tires that
18 go into an end-use market is to increase the number of
19 markets that are out there, not rehashing the same markets
20 that you currently have.

21 So my first idea is look at the direction of the
22 marketplace. What is out there? What could be out there?
23 What new market opportunities exist? And build on what
24 you have done, not repeat the same kind of programs.
25 Putting more money into more production capacity will only

1 yield you the same problems that you had in the recent
2 times.

3 DEPUTY DIRECTOR LEE: Michael, would you get a
4 little more specific with regard to that? What markets
5 should we be looking at here?

6 MR. BLUMENTHAL: I think one of the problems you
7 have with molded and extruded rubber products -- there's
8 nothing wrong with molded and extruded rubber products.
9 It's a very good use of rubber. But you don't have a real
10 strong rubber industry base here. You don't have the
11 testing labs. You don't have the polymer chemists. You
12 don't have consulting companies. There mostly in the
13 Midwest. They're not out here.

14 I think putting money into things like mats and
15 other types of safety products is good. But there's a
16 finite market there. You have lots of competition, not
17 just the issues of energy and workers' compensation and
18 other raw materials. You have other finished materials
19 that you are competing against. Vaster marketplace.
20 There's probably a limit out there.

21 But I think that the -- some of the newer markets
22 in addition to playgrounds and molded and extruder
23 products go in the line of some of the more coarse
24 material. That's not molded and extruder. But that is
25 things like field turf, is a very large, very fast-growing

1 market. Lots of nice margin in there. So you have to
2 expand to different markets.

3 I also think what the point the gentleman made
4 here about the time lag is very true. It will take two to
5 three years to get a new product to be first tested and
6 then accepted and then go through all the other
7 requirements that are necessary. So maybe the length of
8 time that you're working on for certain products may have
9 to be expanded.

10 The other thing that you may have to take a very
11 long hard look at is exactly what is the market capacity
12 for the highest value added applications for rubber. If
13 you look at it as what the potentials are, it may be more
14 limited than you think. So you may not be able to have
15 seven companies out there all making the same product.
16 You may have to start looking at, have we reached market
17 capacity? I think a quick look at what the markets are,
18 especially here in California and on the West Coast, would
19 certainly help your grant program.

20 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Okay.

21 That's probably a good segue into Question 3.
22 We've covered some of these a little bit, but I'd like to
23 get more in-depth on what should the focus of the
24 commercialization grant program be?

25 And that first bullet there, as you said, Mike,

1 when we first started out, there was a reason we started
2 out there. And we've moved along as the situation has
3 changed.

4 So now, in the situation we find ourselves today,
5 what should the focus be? Should it be looking for new
6 R&D stuff, you know, go back to the beginning? Or should
7 it be going out in front and trying to develop markets or
8 look for opportunities? I'd like to get some input on
9 that.

10 MR. TAKALLOU: I'm crumb rubber manufacturer.
11 And the dynamics of some of the programs just Waste
12 Management Board implement -- for instance, the RAC
13 Program, results of Senate Bill 1346, I believe there was
14 about 80 jurisdictions applied for it. \$1 million was
15 allocated. But half a million tons of rubber asphalt with
16 that money is going to be paved in our cities. Every ton
17 of the rubberized asphalt recycled three tires. So, in
18 effect, it's recycling 1.5 million tires for \$1 million
19 allocation. These are the cities they wouldn't be doing
20 rubberized asphalt if it wasn't \$2.50.

21 As a crumb rubber supplier, I love it. The money
22 doesn't come to me, but it made the market for me. I can
23 see the market is coming. I really think that's a
24 direction we should go. Just RAC projects in this state,
25 we think the cities and county in the state, we are

1 consuming over three million tons of asphalt. We have
2 enormous opportunity.

3 Of course, I'm not saying, you know, that should
4 be the only market we should focus, but that's the
5 reality. Why are we afraid of reality that's one of the
6 largest markets that's available to us? It's something
7 that's reachable. We can feel it, touch it. It's there.
8 We're going to pave our roads tomorrow.

9 The state of Arizona, 85 percent of the roads are
10 rubberized asphalt, and they're proud of it. It's quiet
11 road. It's safe.

12 We have a bill in the Senate that's going to come
13 to Senate floor in a couple of weeks. It's a wonderful
14 bill. It requires Caltrans consider or use more
15 rubberized asphalt, the product which they say it lasts
16 twice as long as the traditional asphalt. And guess who's
17 opposing the bill? Contractor. Asphalt contractors say,
18 "Wait a minute. We don't want a better product. It's not
19 good for us." And some of our Senators, they say, "Yeah.
20 You know, since AGC against it, we are not going to vote
21 for it." We have opposition from the people who do not
22 want quality product. This is a very good situation.
23 Quieter road, safer road, recycle our tires, and it costs
24 half as much.

25 So I really believe, you know, we're going

1 through a lot -- I've be attending these Waste Management
2 Board meetings for many years, and this is the first time
3 I feel so good I'm here. I feel like we've worked like a
4 team. When I walked into this door, I said, "Barry,
5 you're going to say things. Some people, they may not
6 like it." But I'm just giving a feedback.

7 I can see the start of a team effort between
8 staff, the stakeholders. Even among ourselves we're
9 working very good. So I really think we have started.
10 The positive steps are started.

11 And, again, thanks to the new Board members, the
12 people who really take the initiative on this.

13 So anyway to sum it up, on this Question Number
14 3, we've got to be careful. There is a bill, AB 338, that
15 may go through the Senate. May get signed by Governor.
16 If that bill passes, we need a lot of crumb rubber. So
17 we, as an industry, we should be ready for it.

18 This morning I was complaining I need more tires,
19 you know, and my colleague from BAS shared the same
20 problems. We need tires. Where our tires are going?
21 So-called new word for recycling with ADC, we shred them
22 and put them in a landfill and we call it recycling. Have
23 nothing against that. But if our roads can benefit this
24 product, why we are putting it in a landfill in the hope
25 of some day we're going to go dig it up? I need those

1 tires. Thank you.

2 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Thank
3 you.

4 MR. WILLIS: Hi. Good afternoon. My name is
5 Bruce Willis. I'm from England, so you probably don't
6 understand what I'm talking about.

7 I was recently here in Sacramento at the
8 Recycling Trade Show, and I noticed that there were no
9 tire manufacturers represented at that trade show. And
10 that is a disgrace.

11 I have a project to utilize millions and millions
12 of pounds of crumb per month. Already, the company that I
13 am loosely associated with uses about half a million
14 pounds of crumb per month. The next project that is under
15 development -- and I thank you, gentlemen, for having this
16 tire grant and loan opportunity here in California,
17 because five hours ago I got invited to get on an airplane
18 and fly to Tennessee where they have the same problems
19 over here, but they don't have a grant and loan program.

20 My friends down in Mexicali, Mexico want me to
21 set up a tire shredding and manufacturing operation down
22 there to make tires down there to supply the Mexican
23 railroads with the railroad tires.

24 And I see, yes, in California we've got problems
25 with workers' compensation, but I know how to work around

1 that. I also know that efficiently-run companies still
2 have to pay the price of their electricity. But if they
3 run their companies properly and they set their equipment
4 up properly, then that cost is going to be offset by the
5 fact that in our golden state of California, we got all
6 the best brains, all the best services, we've got a good
7 political climate to do well.

8 And I have another great opportunity because now
9 I understand that many of the railroads in the
10 United States are going to go to concrete railroad tires,
11 not the rubber ones that I'm implementing now. And that
12 is a big challenge and a great opportunity, and I'm glad
13 to be here to do it. So thank you, all.

14 DEPUTY DIRECTOR LEE: Mr. Wells, just a follow-up
15 question on that. So are you currently established in
16 California, or are you just looking for opportunities?

17 MR. WELLS: Yes.

18 DEPUTY DIRECTOR LEE: You're currently
19 established?

20 MR. WELLS: Very much so. I've been in
21 California for 30 years. I'm one of the polymer chemists
22 that this gentleman behind me said aren't here anymore.
23 I'm here.

24 Right now my factory in Adelanto, California is
25 grinding up 500,000 pounds per month of crumb. The

1 potential usage of the railroad tire project, which I've
2 tried to get the major tire companies back in Akron, Ohio
3 interested in, and they turn thumbs downs on that,
4 probably could utilize 30 million pounds of crumb per
5 month. Month, that is. So yes.

6 DEPUTY DIRECTOR LEE: Are you a current grant
7 recipient or prospective grant recipient?

8 MR. WELLS: No.

9 DEPUTY DIRECTOR LEE: You've looked at the
10 situation -- I guess I just wanted a comment on the
11 situation. You indicated that the workman's comp issues
12 and the electric cost issues is something you've looked
13 at. But, again, the fact there is a grant and loan
14 opportunity in California helps to mitigate or overcome
15 some of those difficulties.

16 MR. WELLS: No. As a citizen of the state of
17 California, I applaud the grants and the loan programs.
18 As a manufacturer and a company builder and president,
19 I've dealt with workers' compensation and electricity
20 costs for the last 25 years. It's just something that you
21 learn to deal with. And thank God we have very high rates
22 for workers' comp and electricity, because it makes you do
23 the right thing and be smart. Because if you don't,
24 you'll be out of business.

25 DEPUTY DIRECTOR LEE: But you've looked at other

1 states --

2 MR. WELLS: Other states, yes.

3 DEPUTY DIRECTOR LEE: What kind of other

4 comparisons might you draw between how this

5 Commercialization Grant Program is run and things that

6 you've seen in other states and some that don't have

7 programs at all? Have you --

8 MR. WELLS: Yeah, well --

9 DEPUTY DIRECTOR LEE: How can we do things better
10 here?

11 MR. WELLS: We call the northeast of the
12 United States the rust belt. And if it's a rust belt,
13 it's their only fault, because they didn't get off their
14 tushies and revive their industry and work hard.

15 You know, I think that because we're in the
16 golden state of California with the receptive program, the
17 grants, and the attitude to get these commercial
18 applications developed, I applaud that. And I'm prepared
19 to say heck with it. We're going to stay here, and we're
20 going to try to get all of these tires really recycled
21 into crumb rubber and manufacture products out of them and
22 the steel wire and the fibers that come out of the tires
23 as well, as well. Thank you very much.

24 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Thank
25 you.

1 All right. I want to get some input now on the
2 product line. As was mentioned earlier in our Senate Bill
3 and our Five-Year Plan, it puts molded rubber products as
4 kind of at the top of the pyramid and requires us in our
5 criteria to give more points to applicants that are
6 focusing on molded rubber product.

7 I wanted to get your input on that, whether
8 that's the approach we should take, or is there a better
9 approach, just your comments on that.

10 MS. NAIRN: Again, Jana Nairn, Golden By-Products
11 and Ag Link.

12 I think the answer to that is it's a little too
13 early to tell what the results might be, only because that
14 focus has been more recent. And like we've heard, it's
15 going to take a little while to see what the capacity of
16 the molded rubber industry at its -- as it evolved will
17 ends up to be.

18 But I think we need to reiterate the fact that
19 focus needs to be market driven. And I'd like to add free
20 market driven. I think it's important to remember -- I've
21 been involved in these roundtable discussions since '97,
22 and we went through a lot of pulling up the shirt sleeves
23 and working on a lot of the processes and the focuses and
24 the Five-Year Plans and where this program is headed.

25 And one thing that came out clear from

1 industry -- and I think we still strongly believe in it --
2 is not to allow the Waste Board or the regulation or the
3 statutes or whatever to choose the markets at the
4 elimination or expense of another market that could be
5 potentially another part of the solution.

6 So I think continuing, as we have many new Board
7 members, helping them to understand how that evolution has
8 evolved. And then it's a real pizza situation or a pie,
9 whatever, and there's many pieces to that pie. And really
10 making sure that we find the balance, I think, is
11 important.

12 Now, places where the Board and the grant program
13 and those things can really effectively help in that
14 process is back to support of companies with tools of the
15 trade, resources, trying not to invent the wheel over
16 again. I think that becomes very frustrating to some of
17 us in the industry. No offense to Caltrans, but doing
18 test after test after test of rubberized asphalt and no
19 performance, you know, why are we inventing the wheel over
20 again? There are a lot of markets that have been tested
21 nationwide. Mr. Blumenthal is a resource to many of those
22 markets. Let's utilize those, not try to reinvent the
23 wheel over again. Utilize those, put those in the hand of
24 recyclers. It all ties into the big picture of moving
25 forward.

1 And then finally, just quickly on performance
2 evaluation, which has been mentioned a few times here.
3 With regard to grantees that have received grants in the
4 past, as well as new grantees -- and maybe should have
5 brought this up a little bit earlier in our question,
6 we're a pretty strong proponent of maybe more hands-on, as
7 far as the grant program is concerned. And maybe changing
8 it to a loan program would make it more hands-on, with
9 regard to evaluation of new companies as well as existing
10 companies to, how well are they doing with their grants or
11 in the industry, personnel interviews, possibly, site
12 visit. I know there are cost limitations. I know there
13 are limits with staff, et cetera. Sure. Why not? I
14 mean, I would encourage that strongly.

15 I think one of the best things the Waste Board
16 did was when Steve Jones sat on the Committee to do the
17 grant evaluation. I think it was the 2001/2002. That
18 gave him such a hands-on. I think Roberti was also on
19 there, I believe. Gave him such a hands-on understanding,
20 so when he talked to other Board members, he had a really
21 good idea of who is really out there and what are these
22 projects about. And so I would strongly -- I think that's
23 a really good idea. I think that could help in evaluating
24 the merit of many of the programs that happen.

25 And then with regard to reporting. I don't know

1 if all the grant applicants -- Golden By-Products has to
2 report to Boxing's annual report that tells where all our
3 tires go on a regular basis anyway. That's because we're
4 a licensed waste tire hauler and recycler facility. But I
5 don't know if all the grant applicants, if you're not a
6 facility, have to also do that. So I would think that
7 maybe some of what Boxing collects and some of what you're
8 looking for, Ms. Peace, with regard to how the markets
9 have evolved and where they're changing and who's doing
10 what where, some of it is already being collected, even
11 through manifest system, in some regard. Some of it's
12 being collected.

13 But I think the information is there. There's a
14 slight tweaking that needs to take place in some areas,
15 but that's just a few comments on some things.

16 MR. TAKALLOU: I'm Barry Takallou.

17 There was a comment about Caltrans and the number
18 of grants Waste Management Board provided to Caltrans.
19 The effectiveness of this program, as you can see, the
20 grant recipient, they come and talk about their projects.
21 Caltrans, they don't want to walk a couple of blocks from
22 their office even to accept the grants.

23 I'm part of a group they call it RACTAG. Rubber
24 Asphalt Concrete Technical Advisory Group is a joint
25 industry, rubberized asphalt industry and Caltrans. In

1 November, we got emergency meeting called by Caltrans to
2 attend in Sacramento. In the meeting, the Chair came and
3 says, "You know what? Waste Management Board, they call
4 us, they have a million dollars. We have to accept the
5 money. And what we should do with the money?"

6 And just last week they call one of their
7 contractors -- one of their favorite contractors and says,
8 "You know what? This is not our money. We've got to
9 spend it." We go back. We have over millions and
10 millions of tons and hundred-thousand miles of these roads
11 we already paved. Now the Waste Management Board paid
12 another million dollars to Caltrans to test rubberized
13 asphalt two miles in Fresno County. And Caltrans treated
14 this money as a freebie, as something that is a pain.
15 We've got to get rid of it.

16 And you know, compare commercialization program.
17 Recipients sitting around you who talk about their
18 success. Yeah, you know, we have hiccups. Nothing is
19 perfect. But at least we are here to talk about it and
20 give input. Caltrans don't want your money. Why Waste
21 Management Board doesn't get it?

22 The Waste Management Board two years ago, they
23 gave money to develop construction guidelines to
24 Los Angeles County. Los Angeles County printed 20,000
25 copies of this. Every time I go to a meeting, it's

1 mandatory you take a box of these manuals, because they
2 printed and they're stuck with it.

3 Now Waste Management Board paid another million
4 dollars to Caltrans to develop construction guidelines for
5 Caltrans. Caltrans giving the same contractor who wrote
6 that construction guideline for Los Angeles County the
7 money to the same contractor to rewrite. And I said in
8 the meeting, "Why don't you call Los Angeles County? They
9 may have of another 10,000 copies of this, which they want
10 to get rid of it. Ship it to you. Pay for UPS." But the
11 same contractor is going to carbon copy the same
12 construction guidelines.

13 I'm a transportation engineer. I got my Ph.D. in
14 rubberized asphalt. How many ways you can write
15 construction guidelines for rubberized asphalt? How many
16 ways you want to roll? Why the rolling the pavement
17 compaction for rubberized asphalt for Caltrans road is
18 different than L.A. County? Why the same construction
19 manual cannot be used for Caltrans? And why Waste
20 Management Board feel like they should waste their money
21 to give it to group, they don't want your money. And I've
22 been attending all of these meetings. They don't want to
23 walk from the building, a couple of miles, to accept
24 grant.

25 Two years ago, myself and Martha Gildart, we

1 actually went and visit to Caltrans. Waste Management
2 Board paid for equipment to purchase to test rubberized
3 asphalt. We attended. We said, "We want to see this
4 equipment." And it was by appointment. We went inside of
5 the laboratory. They couldn't find the equipment. They
6 don't know what happened to the equipment purchased by
7 Waste Management Board money.

8 So what I'm -- this is not a Caltrans bashing.
9 I'm just saying use your money effectively. Compare
10 Commercialization Program, you put \$2 million, compared to
11 \$2 million you give to Caltrans. What you got out of
12 Caltrans? Two miles on the road, maybe 2,000 tires got
13 recycled. Cost per tire you have on this question. What
14 is cost per tire? And what did you learn? Do you think
15 Caltrans even going to issue a report?

16 And is this just a mandatory, just put the money
17 into Caltrans the money they don't want? Why is it not
18 accountability? Why Caltrans need a lot of construction
19 guidelines? Why we stakeholders, we don't get involved
20 with Caltrans, have a roundtable with Caltrans? We know.
21 Tell us why you need another test section.

22 There is a project they're doing right now on I-5
23 is 80,000 tons, is over 100 lane miles. What is two new
24 lane miles of road does for you?

25 My point is put the money into the end product.

1 Let's learn something from Canadians. They're actually --
2 I don't think it's bad. You know, they're actually
3 putting money into their crumb rubber, making, you know,
4 the crumb rubber less expensive. Overall, the price of
5 rubberized asphalt is going to be less expensive. You
6 know, we can learn from those program. I think this
7 was -- in my opinion, this was truly a waste of money.

8 We just -- and the last point, all of these
9 third-party, you know, consultants, it's very nice. I
10 love it when all of this happens. But I sit in these
11 Board meetings. The report comes, thick report. Five
12 minutes the contractor presents, and we all forgotten
13 about. What did we learn?

14 Thank you.

15 DEPUTY DIRECTOR LEE: Follow-up question on that,
16 Dr. Takallou. You've mentioned some problems with
17 Caltrans and ways we can do better. Could you be more
18 specific on how we would take that money to, if not use it
19 with Caltrans, where we would use the money to increase
20 RAC production in the state?

21 MR. TAKALLOU: I would put that money on SB 1346,
22 the RAC subsidy program, go to local agencies. You know,
23 there are more -- the allocation was \$1 million, but there
24 was more projects. And, remember, this was not even
25 advertised properly. This was last round. The local

1 agencies, it takes them a while to get used to the
2 program. You know, I would say next time around you're
3 going to see lots of applicants.

4 DEPUTY DIRECTOR LEE: Okay. Just a follow-up on
5 that, too, again, because this year I think we gave -- the
6 Board gave out 1.1 million. We could have given out more,
7 but didn't have enough projects. You're saying based on
8 your understanding of the situation, that was because the
9 advertising to the local jurisdictions was inadequate, or
10 was it because -- was the subsidy we're currently
11 providing under 1346, was that adequate? Could you
12 comment on those two?

13 MR. TAKALLOU: I think both. I think the
14 subsidy, \$2.50, and local agencies, which they do 2,000
15 tons, to apply to go through the process with \$5,000 is
16 not worthwhile for them to go through the process. The
17 subsidy program \$2.50 is not enough, especially for small
18 local jurisdictions. First time users, their cost is a
19 lot more. The local agency who does advertise 2,000 tons,
20 the cost of rubberized asphalt a lot more than agency
21 advertise 20,000 tons. I really think, you know, smaller
22 projects should deserve higher subsidy to encourage them
23 to come to apply for it.

24 And also we actually call Waste Management Board,
25 because I'm also wear hat on my RAC Committee Chair for

1 California Asphalt Pavement Association. We thought it
2 wasn't enough of advertisement time.

3 Going back to the RAC centers, that should have
4 been the RAC Centers, one of the duties, to make sure the
5 local agencies know about it. And we had to in the
6 private sector put pick up a phone and call on these
7 agencies. You know, half of them, they avoid how to fill
8 out this box. They're local agencies. They cannot take
9 no risk, you know. One box for them is a big deal. They
10 have to go through the City Council to accept the money.

11 But I really think the RAC SB 1346 is one of the
12 most the beneficial project. The money goes to local
13 agencies. And I'm even surprised in that three weeks'
14 time, short period of advertising, how many applicants you
15 received. And the tire program getting the benefit. The
16 tires are being recycled. I'm, as a processor, getting
17 benefit. Everybody in the loop is in benefit. So the
18 cost per tire is less than a dollar. And definitely your
19 tires are being recycled.

20 MS. NAIRN: I think just to continue on a little
21 bit on what Barry is talking about. If we take a step
22 back and look at all the use grants, maybe it's beneficial
23 to -- I don't want to say do a study or evaluation. We
24 don't need any more of those. But kind of look at how the
25 use grants, playground and track surfacing, and RAC now is

1 the new one, how they have worked hand in hand with the
2 Tire Product Commercialization Grants and kind of see how
3 that has evolved together.

4 And correct me if I'm wrong -- and I think that
5 these have been very important. The use grants have been
6 very important to get markets going. And they're very
7 important still, because those markets are not completely
8 established. But the ultimate goal here is that enough of
9 people are going to use RAC and learn about the value and
10 the awesomeness and want to use it, they don't need to be
11 paid a subsidy to use it eventually down the road.

12 Same with playgrounds and track surfacing. The
13 product has great characteristics, but because it's a
14 recycled product, it tends to be looked at as a waste we
15 have to deal with. So in order to get over that hurdle,
16 which may be a five- or ten-year hurdle, seems like a long
17 time, but it will take a while, that we need to continue
18 those two things hand in hand, I think. The Tire Product
19 Commercialization Grants, as well as the End Use Program,
20 and maybe look at those two and see how they're meshing
21 and molding and working together with one another to
22 establish those markets for the long run.

23 MR. DEAKINS: My name is Mark Deakins. I'm the
24 President of Vulcan Industries. I'm a distributor of
25 crumb rubber products to mostly cities and counties,

1 products like speed humps and different curb, flexible
2 curb.

3 I think what would -- you know, as to Question 4
4 what the Board could do, would be to help facilitate, that
5 the cities could contact you and you could maybe act as a
6 clearinghouse, giving them information, encouraging them
7 to use recycled products, crumb rubber or whatever
8 products that you'd like them to reuse.

9 The lead time, as the other gentleman mentioned,
10 it does normally take a year before they actually decide
11 to buy something from the original time they actually look
12 at it or have the presentation. So if the Board could
13 encourage cities, states, counties to use recycled tires
14 and products made from recycled tires, I think it would be
15 a real advantage. Thank you.

16 MR. DVORACEK: I just want to say I keep hearing
17 this loan versus grant. I hear that brought up a lot. A
18 lot of people that are established, they may not
19 understand how much a grant means to you when you're new
20 in business.

21 When you go to a bank and you go in for money, a
22 loan is a loan. And it shows up as a loan. A grant is a
23 major benefit to a business to be able to say I've just
24 got a grant. What that tells the bank, that tells the
25 bank this business is going to be able to grow without

1 bringing in outside capital that they've got to pay for,
2 in a sense. We're paying in a sense. But it gives us the
3 ability to take a chance, take a risk in an area that we
4 hope we've guessed right on.

5 And so I really hope that our goal is not to go
6 towards the loan side. Because I can tell you that
7 there's no way that I could have gotten a loan to do what
8 I'm going to do with my grant money. It just would not
9 have happened. And that's really important to know.

10 DEPUTY DIRECTOR LEE: Just a follow-up question
11 on that. How do we distinguish between an established
12 business and a start up? You know, what are some of the
13 financial criteria or --

14 MR. DVORACEK: Great question. You know, we've
15 been in business since 1962. My dad started in '62. But
16 our highway safety division has been in business for five
17 years.

18 We started doing crumb rubber two years ago. So
19 we're two years new to the business, and we're just
20 learning, you know, where the bones are buried. And
21 that's a scary process. When you're in business and we
22 take off down the highway safety route and we say, "We're
23 going to do this, this, and this," and then suddenly
24 somebody says, "Well, you've got to have ballasted
25 weights. You've got to have ballasted product." We

1 didn't plan on that a couple of years ago.

2 So we got -- through a loan, we got one of your
3 loans, and we got a machine going. We got some tooling
4 going, and the business is booming. It's the best part of
5 our business right now.

6 But for me to go to the bank and say, "Okay. I'm
7 going to double my production next year," the bank looks
8 at my books and they say, "Hey, we're not seeing a lot of
9 bang for our buck right now." Because the bank doesn't
10 care about the spec side of our business. They don't care
11 about all the things I was telling you about, about
12 getting approved in all those things. The bank doesn't
13 see that. So they're not willing to take the risk.

14 And part of what this grant does is says we're
15 standing behind you for the risk, and we want to partner
16 with you to make this happen. And that is what you're
17 doing. You're partnering me to make my business grow.
18 And that means a lot. You've got to know that there's --
19 a loan versus grant, there's a big difference.

20 DEPUTY DIRECTOR LEE: I think we understand the
21 difference. I guess what I'm trying to drive at is if the
22 Board was inclined, you know, to provide -- to look at
23 providing grants to start-up businesses and perhaps loans
24 to more established, you know, what kind of simple
25 questions would we ask on an application form to elicit,

1 you know, which group you fall under?

2 MR. DVORACEK: Well, we've had people who have
3 gotten grants that have come to us, you know -- and we're
4 new to this business -- that have said, "Hey, we want you
5 to run our products. You know, mold some products for
6 us." You know, bad thing. I mean, when you got the
7 grant, part of the grant -- you need to be in the position
8 to mold your products. You can't be running out to maybe
9 a competitor and saying, "You know, I've got this grant
10 money. Here, why don't you do this for me? You know,
11 mold this product for me." This doesn't work, because
12 there's no way I'm going to mold for my competitor. It's
13 not going to happen.

14 So if you're going to give money to do, you know,
15 gutters or whatever you do, they have to be able to
16 perform. You know, you can come down to my shop. You can
17 see my machinery. I'm sure you can walk into our shops
18 and see that we grind rubber and we mold rubber. We're
19 the real deal.

20 And if there's a hesitation -- if you're giving
21 money to somebody that you don't know is real, I mean,
22 that makes the whole program look bad. Because there's no
23 way for them to get started. They don't know if they're
24 getting a good deal on their tooling. They don't know if
25 they're getting a good deal on their product. You know,

1 these people, they don't even know how to sell their
2 product. A lot of times people say, "I'm going to make a
3 sidewalk out of rubber." Great idea. But if you don't
4 have the ability to make it at the right price and to make
5 sure that you have a consistent product, which means
6 you've been molding product for a long time and all these
7 kinds of things -- I mean, that's just an example.
8 There's a hundred of those kinds of things that happen.
9 You have to have some expertise behind you. And, you
10 know, that's a big part.

11 DEPUTY DIRECTOR LEE: Thank you.

12 WASTE MANAGEMENT SPECIALIST DICKINSON: Joe,
13 would you say a five-year threshold for a business that's
14 new to that kind of business is a proper new versus
15 established? I mean, by five years, if they're not
16 established, then they're not doing it anymore. Is that a
17 good way of looking at it?

18 MR. DVORACEK: I can tell you that the only way
19 we got ramped up as well as we did was a guy in Riverside
20 helped us out. He came in and said, "Let me show you how
21 we're doing this." And I looked at that and I was like --
22 for the molding, the whole process. A guy came in and
23 just really helped us out. If I had to do that all
24 myself, we would have stepped on our foot a couple more
25 times. It would have taken longer.

1 But certainly the specification side is two- to
2 three-year a process. Building all the tooling is easily
3 a year, if you're going to make a complete product line.
4 So you've got a couple years right there. And then to
5 perform on what we're saying we're going to do, you've got
6 to give us probably five years.

7 WASTE MANAGEMENT SPECIALIST DICKINSON: I just
8 want to say something on the progress reports that I
9 receive. I see a lot of people who do the molded rubber
10 products who have issues with the right cure rate, the
11 right additives, and getting their tools up and running
12 and get the right engineer to come in. It's a lot of
13 processing that people don't understand. When they start
14 this process, they think it will just happen. That's why
15 there's always a delay, and they don't have to reach their
16 tire usage for PTEs until the end of the grant term.

17 MR. HARRINGTON: Just as an aside, one of the
18 things I think you could look at, and maybe should be
19 looking at, would be not just the business being
20 incorporated, but how long has it been from an accounting
21 standpoint a going concern. In other words, you know, not
22 how long has it been in business, but how long has it
23 profitably been in business? Is somebody feeding it, or
24 is it an actual "going concern."

25 And as far as the Tire Product Commercialization

1 as opposed to loan, maybe what we should be looking at is
2 some type of blending of the two together. I mean, when
3 you're talking about some of these products, processes,
4 and equipment that people at various stages in the tire
5 recycling game are looking for, perhaps a partial grant,
6 partial loan. The grant component of it, if nothing else,
7 is going to make you a hell of a lot more bankable, if not
8 to the state's loan program, at least to your bank's loan
9 program.

10 MR. TAKALLOU: Mr. Lee, to answer your question
11 what's the definition of a start-up versus established,
12 one company can be a start-up and established at the same
13 time. Let me give you one example. I'm established tire
14 recycler in Southern California. I want to open up a
15 plant in San Francisco. I'm a start-up in San Francisco.
16 So it depends to the project.

17 I want to start up a new line. I know how to
18 make crumb rubber. I'm established in crumb rubber. But
19 I never done rubber molded products. So I'm a start-up in
20 molded rubber products. So number of years I've been in
21 business should not really matter. I depends to the
22 project.

23 Furthermore, to answer your question, the problem
24 with the Commercialization Program is give \$250,000. And
25 I want to remember Martha Gildart told me one time. She

1 said, "Barry, Waste Management Board give you \$250,000 if
2 you stand on the cliff. If you jump, we pay just 250. You
3 just jump, you're on your own." And she was right.

4 I think there should be two groups of projects.
5 There should be small projects, my opinion, for
6 feasibility of study. For instance, if I want to start up
7 a plant in San Francisco, I need to do my feasibility.
8 There is a composition program, we all sign. After we get
9 grant, we go and get our permits. Really, how much you
10 really know if you're going to get your permits? That's
11 wrong with this project, because the applicant have all of
12 the best intention, but you just say okay. I sign. I go
13 and get my permits.

14 So my opinion, should be two groups of projects,
15 small projects, which is in the feasibility stage, you
16 know, projects 25,000, \$50,000. And if they pass their
17 feasibility stage, then they can move on to the next
18 stage. But, you know, I can see all of these start-up
19 projects, they really have all of these good ideas. But
20 once they get to grant, the next morning they say, "God,
21 what have I done to myself? Now I've got to cough up the
22 match money."

23 One other comment as far as the applicants. The
24 reason I asked two years ago what happened to the nine
25 applicants. I was one of the applicants in the first

1 round who got selected. The second round when Mr. Jones
2 reviewed it, we didn't get accepted. And the companies
3 who got accepted, they didn't even exercise their grant.
4 You know, this is the company could have recycled tires
5 with that money. That money did not get allocated.

6 WASTE MANAGEMENT SPECIALIST DICKINSON: It did.
7 It was allocated during reallocation. They dropped out in
8 time for us to reallocate.

9 DEPUTY DIRECTOR LEE: Let him finish his
10 statement.

11 MR. TAKALLOU: My point is the match money,
12 people just sign these things. The budget, \$1.5 million.
13 You give me \$250,000, I match 1.2 million. What's wrong
14 if I'm signing that, get a letter from my bank, somebody,
15 you know. If this grant get approved, we have financial
16 means to match that. What's wrong to require that you
17 really have the money?

18 DEPUTY DIRECTOR LEE: You're suggesting a match
19 requirement?

20 MR. TAKALLOU: Match requirement, you know, as
21 part of the application. Some sort of assurance if you
22 get selected, you have the means to complete the project.
23 Some sort of financial assurance.

24 You know, people, they wait and just say, "Okay,
25 if we get the grant, we go to our bank. We talk to our

1 bank." Bank can write a letter that says, in case if you
2 get your grant, we're willing to give you \$125,000 match
3 or they have other means of supporting that match.
4 Because the match one is real money. I'm recommending to
5 have some sort of evidence of the match is available if
6 they get awarded the grant.

7 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Good
8 point.

9 MS. NAIRN: Just as a follow-up to that a little
10 bit. Definitely, the fact that we have to put out the 375
11 in order to get the 250 is a strengthening point for the
12 Board, because I would hate to see anyone just be handed
13 250 for exactly what Barry just said. So, in a sense,
14 that's already a little bit of a financial assurance a
15 little bit, but I would agree with what Barry said.

16 With regard to the loan versus grant thing, I
17 think we should talk a little bit more, if we haven't
18 already. Because I've heard rumors talk -- everybody has
19 been talking about this. But one of the things I had
20 heard was a loan that becomes a grant or a grant that
21 becomes a loan, one way or the other, kind of based on
22 performance criteria.

23 I do agree with Joe with regard to the fact that
24 it's immediate equity in your business as a start-up
25 business. And you can't replace that. It's definitely

1 very, very valuable as a start-up company or evolving a
2 new product line or anything like that. But I can also
3 see there being some benefits.

4 I think that -- and I've said this before.
5 Having been through the RMDZ loan process -- and I
6 don't -- you said loan, but you have done that, too, Joe.

7 Okay. So I think that there's a lot that the two
8 programs can learn from one another. The RMDZ Loan
9 Program is not like going to a typical bank. They have a
10 tendency to be aware or cooperative, or whatever you want
11 to say, to newer businesses or to businesses that are
12 coming on line. So unlike a bank that might want to see
13 three years of profitability point blank, or see you
14 later, the RMDZ process is more flexible with that regard.
15 But they have that capacity to still look at long-term
16 kind of where you've been, where you're coming.

17 And I think that's something that the grant
18 program doesn't have. They have no ability to look at who
19 are we dealing with. Are they real? Are they not? So I
20 think there's some ways that the two programs -- or that
21 the grant program can learn from the RMDZ program in that
22 regard. That was kind of my comment.

23 MR. LARSON: I'm trying to think about maybe some
24 creative ideas. And one of the problems we have -- and
25 particularly you, because you're stuck, if you will, with

1 the law that's got some very specific parameters. You
2 can't go outside there. You have a Legislature that's
3 looking over your shoulder. You have to go to the Budget
4 Committee every year to rejustify your existence in the
5 world. I can appreciate why you look with such intensity
6 as to what's happening.

7 As a result, I think there's so much intensity
8 and so much focus that sometimes you, and we, the applying
9 public out here, just don't know what we're doing for
10 sometimes long periods of time. And we shift around a
11 main central theme that we want to recycle tires. Oh,
12 God, we can't do it this year because it's not the
13 politically-appropriate thing to do this year. We're
14 going to go this way.

15 But maybe if we just jump back and try to create
16 some incentives. If, for example, we have the loan and
17 the grant discussion, suppose there was a grant program
18 that provided so much money towards particular equipment
19 purchases, and research and development, new technologies,
20 and then there was some incentive programs so when you
21 reached a minimum, you got some kind of a reward. I don't
22 know. Nickle a tire, or penny a tire. If you met your
23 goal and you could demonstrate by some third-party
24 verification process that you had met the requirements of
25 the loan and you exceeded that by some amount, then you

1 are able, as an entrepreneur, to get to the higher level
2 and then apply to the Board for a reimbursement for those
3 tires that were diverted for purposes that you specify
4 that we achieve.

5 Now, of course, that runs counter to the annual
6 budgetary process, but that's not my problem. I'm coming
7 up with new ways -- not anymore -- new ways to create some
8 incentives so private industry can know that they're not
9 only getting this money to buy this piece of equipment,
10 which they should demonstrate financial strength to meet
11 the match going in, but that if we do more, there's more
12 incentives. I know there's other states that just offer a
13 recycling incentive for recycling tires, period.

14 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Thank
15 you, George.

16 MR. KORTE: I think the original discussions
17 started loan versus grant because of the perceptions that
18 were out there based on some of the summaries that were
19 read for the grant applicants. There's just some projects
20 that jump up and say, you know, is this a viable project
21 or is this a well thought out project? And you know,
22 without us -- without, you know, being able to read the
23 entire grant application to really figure out if there is
24 an inkling of something there that doesn't appear on the
25 summary, you know, you're just going to shake your head,

1 and how is this business going to survive?

2 You know, if the \$250,000 goes there, is it going
3 into a sinking hole? By having a loan or a hybrid or
4 whatever or some sort of financial information on the
5 grant process or even so much as an executive summary of a
6 business plan, you know, maybe there's a way of culling
7 out some of the projects that really don't deserve
8 consideration.

9 Now, whether that goes towards a true loan -- and
10 there's been some good points brought up on why it
11 shouldn't. Maybe some of that financial information
12 should be there anyhow. Maybe that's a way of solving
13 this.

14 MR. LEVEILLE: I've heard a lot of really good
15 ideas today. And these are ones that have been mulled
16 over the last several months. And to me, it seems like
17 there seems to be sort of a need to deal with some of, as
18 I say, the start-up, the companies that are not proven
19 yet, with some type of a loan program, maybe at a lower
20 amount, maybe --

21 DEPUTY DIRECTOR LEE: Loan or grant?

22 MR. LEVEILLE: A loan program for the start-ups
23 that would maybe after five years the loan would be
24 forgiven. It would give the Board an opportunity to take
25 a look at this company to see if they've made due progress

1 in their project. And then the reward at the end of the
2 rainbow, essentially, would be forgiveness of the rest of
3 the loan.

4 On the other hand, I still think it's important
5 for the biggies, the ones that are established, the ones
6 that are like Barry's and Lakin and Golden By-Products and
7 Try-C, the ones that are looking at, you know, new markets
8 and expanding and developing with their products new
9 markets to still -- they've shown that they can work a
10 grant. They've shown that they can do a project without
11 falling behind on their requirements for tire diversion.
12 And it seems to me that there could be a bifurcated
13 program: One for loans for start-up type unproven, maybe
14 possibly forgiven down the line, maybe 50,000 or
15 something; and then one with a \$250,000 traditional
16 equipment improvement type thing or new product
17 improvement type thing like Three D.

18 DEPUTY DIRECTOR LEE: You're suggesting loans
19 potentially forgivable for the start-ups with a
20 continuation of a grant program for the established
21 businesses?

22 MR. LEVEILLE: I don't expect you to do all this
23 in the next month. I mean, but these are sort of food for
24 thought. You know, maybe next year. I think it's -- I
25 know you guys are under a tremendous crutch with staff

1 time and the like. And I can understand that. But, you
2 know, I'm just looking at -- I think there's been some
3 really good ideas thrown around today. And it seems like
4 it would be a shame to not maybe pursue these a little
5 clearer.

6 One thing I would like to see, though -- and I
7 mentioned this before with Ms. Peace and with staff -- is
8 in the old days, we used to receive on an annual basis an
9 update -- and we may have heard today -- an update of all
10 the grant projects that have been funded, a summary of
11 what their project was, and where they are. And I think
12 that would be imminently valuable for the Board, for
13 stakeholders, for staff, particularly for the Board in
14 terms of determining policy for criteria. What has been
15 successful? What has fallen on its face? Maybe there
16 could be a requirement that staff should do an analysis of
17 how successful, if they did meet their requirement. But
18 we've been missing that lately. And I think that's made
19 it difficult, for not only stakeholders, but for the Board
20 to really, you know, stake out direction in this.

21 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: All
22 right. We had kind of skipped over one area that I think
23 George briefly mentioned in Question 3 talking about the
24 criteria. And I didn't want to miss an opportunity.

25 Do you feel like we can wrap it up in 15 minutes

1 or less? I mean, are you guys talked out? You got more
2 to say? Let's take a break.

3 (Thereupon a recess was taken.)

4 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: I did
5 want to real quickly go over the criteria.

6 George, you had mentioned one of your suggestions
7 about the ten points on having your recycling program
8 established and --

9 MR. LARSON: I don't know if I need a microphone.

10 I just think what you're focusing on and what
11 you're asking for is the quality of the proposal, the
12 quality of the business, the quality of the technology.
13 All the other things that are good are fine, and set those
14 up as criteria to get in the door. And then use your
15 scoring criteria based upon the perceived, claimed, or
16 demonstratable performance of what the project is going to
17 do to improve diversion of tires, and I'll just say from
18 landfills.

19 However, if I may interject here, because I was
20 late arriving on a plane, that I think we need to have the
21 landfills as a foundation building block which we have as
22 a foundation building block for the AB 939 diversion
23 infrastructure, too. We need to have that as an option,
24 or we're going to find ourselves in the same situation as
25 Arizona when they put out a grant program with a lot of

1 grant money to fund companies that shred tires. They
2 shredded a lot of tires very successfully, and they went
3 into tires with no market.

4 So I think we need to draw tires out of the land
5 disposal option through creating these incentives and
6 promoting new technologies. I might throw conversion
7 technology in there, too, because that's new. That's a
8 new priority for the Board. I don't know if there is a
9 conversion technology out there that will accept tires of
10 the feedstock now. But if I were a wagering person, I'd
11 say that's on the horizon. And maybe you ought to include
12 in new eligible type projects that parallel your other
13 Board policies and priorities for supporting conversion
14 technology.

15 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Thank
16 you, George.

17 Any other input on criteria?

18 Mike.

19 MR. BLUMENTHAL: Thank You.

20 As far as the criteria is concerned, one of the
21 ideas that Dr. Takallou said on the 25,000, or so, to do
22 an early look at your proposal I think is a very good
23 idea. It will help answer a lot of the basic questions.

24 I think any grant or loan application should be
25 part of the overall business plan. And it should be able

1 to spell out how the money will be used, how it's going to
2 fit into their overall plan to use tires, where tires are
3 going to go. A real live business plan looking at the
4 financial implications, the whole nine yards.

5 Whether it's a grant or a loan, I'm not going to
6 get into that. That's not something I feel comfortable
7 talking about. But certainly if they're going to make the
8 application, it should be in the form of a business plan,
9 because that will help them to take a long, hard look at,
10 is this a real project? And I think that will help you to
11 decide whether these applications are real or not. And I
12 think that goes an awful long way to get a better set of
13 applicants out there, whatever that might be.

14 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Thank
15 you.

16 MR. LEVEILLE: Let me just follow that up. I
17 think that's a good idea. But, you know, for you guys,
18 the evaluators, you have to sort of develop a format for a
19 business plan. You can't just willy-nilly have different
20 companies submit different types of things. You've got to
21 develop, you know -- and that's going to take some time to
22 think out the types of questions that need to be answered
23 and the types of areas that need to be dealt with in that
24 application.

25 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: That

1 brought up some hands.

2 MS. NAIRN: Let me add to that. Not only does
3 that take you time to develop, but you need to consider
4 how long that would take each applicant to do that
5 process, as well as -- which for ongoing businesses, it's
6 not that difficult. We have business plans in place. But
7 then it's also going to lengthen the time that the
8 evaluation process has to do.

9 But I think that's a good thing. I think the
10 evaluators need to understand not the project, but who the
11 applicant is and what -- like Mike said, how this project
12 fits into the overall picture. But coming up with how
13 that happens is going to be fun for you guys.

14 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: We're
15 going to be asking for your help along the way.

16 MR. BLUMENTHAL: I can offer something up. We
17 just finished a small project for the state of Texas where
18 we did what we call a -- it's now on our website, and the
19 document will ask all of the questions that a new company
20 looking to get into the tire business should be asking
21 themselves or that you should be asking them. It's a real
22 simple -- it doesn't give you any answers, just a couple
23 hints. But there are no real answers in there. But it
24 asks 22 pages' worth of, have you thought about this?
25 Have you looked into that? These are all of the items

1 that you need to look at if you're going to consider going
2 into the scrap tire business. I'll be happy to e-mail
3 that to you.

4 WASTE MANAGEMENT SPECIALIST DICKINSON: I know
5 what it is.

6 MR. BLUMENTHAL: It's a blueprint document. It's
7 on our website. It's free. And it asks all the important
8 questions that anybody has to ask themselves of, what do I
9 have to do? What questions do I have to answer if I want
10 to get into this business?

11 MS. NAIRN: Is that just for recycling or also
12 for manufacturing?

13 MR. BLUMENTHAL: It's for anything. It's
14 basically an extension of a business plan I did when I was
15 in business school. But it is specific to the scrap tire
16 business. And it's available. So most of the questions
17 and most of the forms are already available. And you can
18 lift the whole thing, if you want.

19 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Thank
20 you.

21 MR. LARSON: Having gone through the RMDZ loan
22 process myself for another project, I understand the
23 distinct difference between the grant program and the RMDZ
24 or what would be really any financial institution. You're
25 acting as a surrogate bank. You're just targeting a

1 particular type of business under the RMDZ Program, which
2 is an excellent program, but it's different. So the level
3 of detail that's going to be required under a loan is
4 fairly well known.

5 And I think Mr. La Tanner here could answer any
6 questions about the level of detail necessary.

7 So I think the comments by Mike and others ought
8 to fold into, if you come up with some kind of bifurcated
9 system, you may not be able to demonstrate what's
10 necessary for a grant program that is necessary to get a
11 loan. In other words, banks all say, "Well, prove to me
12 you don't need the money, and we'll loan it to you."
13 Grants are inherently a higher risk activity.

14 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: That's
15 an important distinction.

16 MR. WILLIS: I second that.

17 Whereas, I can see going through 22 pages of 20
18 questions just to start up a business, I have to point out
19 to all of you that research and development is a hit and
20 miss affair. If any of the existing well-developed
21 manufacturing businesses were sufficient to do what we
22 eventually want done, which is to take care of all the
23 tires that are taken off of cars and sent to the landfill,
24 if these businesses were sufficient to utilize all of
25 these scrap tires, then we wouldn't need any grants.

1 But we do need the grants, because we do need to
2 do research and development, and we do need to develop new
3 products to use up all the crumb rubber that we can
4 manufacture and we should be manufacturing it. We should
5 not be burning good rubber just to make energy when we've
6 got coal that we're shipping to foreign countries by the
7 boat load. We should be using our raw materials in this
8 country for the benefit of all the citizens of this
9 country.

10 Whereas, I do agree that the grants are an
11 excellent idea, I have wondered why we don't have
12 inspection teams that go out and review the actual usage
13 of the public funds in the public from the point of view
14 of doing good for the public. And if anybody uses public
15 money, they should be quite willing to open their doors
16 and their laboratories and their manufacturing processes
17 to a public inspection team, which I wouldn't mind being a
18 part.

19 And I cannot see why we would spend any money on
20 grants or loans for any operation whereby the tires
21 eventually wind up in the landfill in one form or another.
22 That is absolutely counter to the requirements of the
23 federal and state governments that want less and less
24 material sent to the landfills.

25 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Thank

1 you.

2 All right. We're down to the bottom here of the
3 question list. And I want to see if there's anything that
4 we've missed, any topics that didn't come up, any ideas
5 you haven't had a chance to talk about?

6 MR. LARSON: Sorry to be so wordy.

7 I didn't hear the term engineered fill or
8 engineered applications of tires. And I know the
9 hierarchy in crumb rubber potentially should be above some
10 others, but engineered fill, if my math is correct -- and
11 staff, I know, will correct me if I'm wrong.
12 Approximately 32 million tires, and I think between 18 and
13 20 get a happy home somewhere, and a good 12 million, last
14 time I checked, don't get a happy home. Go to landfills
15 or something like that.

16 Twelve million tires and 120,000 tons, if my math
17 is correct -- and please check that -- if we were to have
18 engineered fill such as you have funded for demonstration
19 projects on interstates in California, 120,000 tons is
20 nothing in comparison to all the fill material, aggregate,
21 dirt, those kinds of things that are used in that
22 construction process. If only that one higher use -- and
23 I'll just call it higher use. You can argue whether it's
24 recycling or not. It definitely is redirecting things
25 from landfills to a better use.

1 So I don't know how you weigh out whether you
2 want to subsidize one kind of activity, promote a new high
3 risk, new research and technology, or find something like
4 engineered fill that would be a better repository, if you
5 will, than a landfill.

6 DEPUTY DIRECTOR LEE: George, a follow-up
7 question on that. So you're suggesting as part of
8 commercialization, instead of the focus being on molded
9 rubber products, we should look at something -- you know,
10 projects that are going to involve some sort of civil
11 engineering application?

12 MR. LARSON: Absolutely. And correct me --
13 you're the policy developers. But to make engineered fill
14 is a shredding activity. It's just that you shred a tire
15 instead of a single pass-through to get it to reduced
16 volume, you make a spec product of a specific size that
17 has to serve the same purpose as a similar size piece of
18 aggregate. But it's a shredding operation. And I think
19 it's eligible right now under the grant program under the
20 shredding category.

21 DEPUTY DIRECTOR LEE: Our problem in the past is
22 in finding a home for the material. You know, if we even
23 were to make that a criteria, a preference criteria, you
24 know, the problem right now is that except for a few large
25 Caltrans projects and some continuation layers, vibration

1 layers under some railroad track areas, we haven't found a
2 lot of places to utilize that material.

3 And we want to avoid the Texas or the Arizona
4 situation where we have piles of these civil engineering
5 materials being produced with no home for them. Are you
6 suggesting that there are some other applications that can
7 be privately developed?

8 MR. LARSON: I'll try to answer that one in this
9 manner. I would agree with Mr. Takallou's comments about
10 Caltrans in general. And I would not trust them to try to
11 find the solution to that question.

12 But I do believe that there would be -- and it
13 wouldn't be me for sure. I don't know who in this room
14 would possess that expertise. But there are people with
15 that expertise about the costs and benefits of using
16 various kinds of materials for construction. I'm not
17 talking about putting a manual together.

18 But from my understanding of the Dixon Landing
19 and the San Bernardino projects is that they were able to
20 provide an aggregate substitute, a lightweight fill, at a
21 price that was less than the aggregate they would have to
22 buy from a quarry.

23 That's a cost/benefit analysis that has already
24 been done as a result of those projects. Then those
25 companies that have been reluctant to use rubberized

1 asphalt concrete, if you can demonstrate to them that they
2 can use this material at a 10 percent savings over what it
3 costs to use an aggregate rock, I think most companies --
4 private companies would step up to that and create that
5 demand. And maybe someone who is coming in for that grant
6 would have to work hand in hand with a grant construction
7 or, you know, other companies that do that kind of work
8 and come in as a joint venture kind of thing. That's the
9 only thing I can think to answer.

10 DEPUTY DIRECTOR LEE: Thank you.

11 MR. BLUMENTHAL: On that theme, your concern
12 about who would develop the written manual, you folks
13 already have paid for that. The Waste Board four or five
14 years ago put a grant out and produced five texts on how
15 to use tire shreds and landfills. We've used those texts
16 to create a course, which we've given around the states --
17 not here in California, but around the country, and has
18 increased the use of tire shreds in civil engineering in
19 landfill construction. As a matter of fact, in 2001 to
20 2003, the number of tires going into civil engineering
21 increased by 25 percent. Fairly large growing market.

22 The other one -- and you currently have the best
23 in person in the country working on this, Dr. Dana
24 Humphrey, on a grant from your agency doing two projects
25 for -- contract -- my apologies. Working under a contract

1 is working with Caltrans on two projects. He also has a
2 training course that we've given around the country on the
3 use of tire shreds as a lightweight backfill in road
4 construction, in wall construction. Dr. Humphrey is the
5 single best resource out there.

6 So all of this information exists. We have 48 or
7 58 different technical reports on civil engineering on our
8 website. Dr. Humphrey has resources on his website at the
9 University of Maine. We're working with a couple other
10 states and with the EPA to expand this base of data.

11 I think the real easy answer is we've already
12 offered to work with the state agency to help put together
13 those technical educational workshops with your agency,
14 with Dr. Humphrey, with the folks here in California who
15 have already done that. And that would get the market up
16 and running fairly quickly.

17 I would suggest -- and I think you're right --
18 before you start taking tires and making mountains of
19 shreds, that you have the market demand. But the way to
20 get the market demand is to educate the potential end
21 users, which is one of the things we wanted to do at the
22 upcoming September '05 -- March -- April '05 Waste Board
23 Tire Conference. But that's not going to be the only
24 event. We hope to be able to take whatever momentum is
25 developed there and expand that out and work with the

1 other agencies and other associations on this very market.
2 So there is great market potential here in California, and
3 the information already exists.

4 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Thank
5 you again, Michael.

6 MR. KORTE: I hate to be a cynic, but any project
7 that I've seen with Caltrans over the last few years --
8 they love to do studies, but they don't seem to follow
9 through with anything.

10 Perhaps there's other avenues we can do with
11 municipalities or, you know, some other areas that I'm not
12 aware of that would be an easier sell in a faster market.

13 MR. HARRINGTON: I would like to comment on your
14 Question 4, how can the Board help the tire industry
15 divert California waste tires through grant and funds.
16 I'd like to read that as, "How can Board best help the
17 tire recycling industry."

18 And very briefly, I think we've heard from Mark
19 and we've heard from other people here that the number of
20 recyclers has decreased rather dramatically over the past
21 several years. And the existing recyclers tend to be,
22 shall we say, not on the best financial footing.

23 I would like the Board to at least investigate
24 and look at the possibility of a dedicated fund, perhaps
25 for as much as a three- to five-year period, to assist the

1 tire recyclers until there is more of a level playing
2 field for crumb rubber in the state of California with all
3 of the problems that were previously discussed. I won't
4 go over them again. Whether this is through a combination
5 of grant money or loans or even a reimbursement to the
6 recycler on the per-pound basis, three cents a pound, five
7 cents a pound, whatever would be determined that would
8 make the California recycler more competitive. And until
9 the crumb rubber -- until the market's developed to where
10 we all think that they are headed, if that industry is to
11 remain intact, it really needs some help from this agency.
12 Thank you.

13 DEPUTY DIRECTOR LEE: On that point, you said
14 three cents, five cents, is that what would make the
15 difference between financial viability for you and --

16 MR. HARRINGTON: A three cent per pound
17 reimbursement would be huge in crumb rubber where you're
18 talking about a quarter cent or half cent. This is a
19 commodity product. You don't differentiate my crumb
20 rubber from somebody's that's done in Nova Scotia. It's
21 the same material. It's the same tire, as long as the
22 crumb rubber is the same gradation. It's a commodity
23 product. It is very, very price sensitive.

24 And some type of reimbursement -- and I don't
25 know if three cents is the right number or what the right

1 number is. I'm saying that if this industry is to
2 survive -- I mean, it might anyway. But to help ensure
3 its success, I think that something along the lines of a
4 dedicated fund to assist recycling in this state is going
5 to be needed.

6 DEPUTY DIRECTOR LEE: How do we respond to the
7 issues that have been raised about the level playing field
8 and if providing subsidies for one, we need to provide
9 them for all?

10 MR. HARRINGTON: I think we're talking about a
11 specific market being attacked by level playing field,
12 that being the crumb rubber market. There isn't a great
13 cry that the production of shreds are being -- that shreds
14 are coming from Texas instead of shreds being used from
15 California, again, because it's so price sensitive for
16 that particular material being even a lower price per
17 pound value material.

18 MS. NAIRN: Where do you draw the line? We've
19 had this conversation a number of times.

20 Mike, we were all together before. And I'm not
21 saying I agree or disagree with you at this point in time.
22 But where do you draw that line on when you go from
23 crumb, to granular rubber, to tire chip fuel, to whole
24 tire fuel, to ADC. That's always been the challenge.
25 George is shaking -- everybody knows that.

1 MR. HARRINGTON: Well, I think it's fairly
2 simple. You're looking at the hierarchy. If a whole tire
3 is not real high on the hierarchy of uses, unless, of
4 course, you're reusing it on an automobile, and then it is
5 much better than recycling. It's higher than recycling.
6 It's reused.

7 I think when we're talking about recycling tires,
8 we're talking about bringing them down to a crumb rubber
9 state being, say, if I had to pick a number would be minus
10 ten mesh, which is basically the size of coffee grounds,
11 for people that don't really understand that. We go
12 through producing chips, producing shred to get to crumb
13 rubber. It's not that we're adverse to that. It's just
14 that in this particular situation in the state of the
15 industry, I think some help is needed. And I think the
16 state could provide it. I think they have the funding to
17 do so, and I think they have the obligation to do so based
18 on the intent of the Legislature.

19 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: Thank
20 you.

21 Any other topics we might have overlooked?

22 MR. WELLS: I was in California in 1977 when I
23 saw the first of the California tire factories shut down.
24 And by the end of 1980, we had lost Uniroyal, two
25 Firestone plants, one Good Year plant, and the Goodrich

1 plant. Now I see the crumb rubber manufacturing
2 businesses seem to be following in about the same pattern
3 of events. I don't know how you would justify subsidizing
4 that industry. Even as much as we would like to see all
5 the tires used, I just don't know how you could justify
6 doing that, especially after we no longer manufacture one
7 tire per year in the whole state of California.

8 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: All
9 right. I guess we'll wrap it up then. I appreciate you
10 all coming and providing your input. I want to also
11 remind you any other ideas, if you'd like to expand on
12 what we've already talked about, or if you've got some
13 ideas from being here, please forward those on to us by
14 e-mail or give me a call. Up to two weeks we'll be
15 accepting them.

16 Yeah, George.

17 MR. LARSON: I always like to ask this question
18 at the end. Can you tell us in what form and in what time
19 frame we might expect some feedback as to what you have
20 observed and heard today so we can know if this is going
21 anywhere?

22 WASTE TIRE DIVERSION SUPERVISOR DELMAGE: We will
23 be going to the September Board meeting with kind of a
24 review of what we've talked about here. And we'll be
25 looking to get direction from the Board at that time on

1 the input we've got here.

2 Also, since this has been recorded, we'll have
3 the transcript available in about two weeks. So in about
4 two weeks we'll have the transcript up. We'll incorporate
5 any of the e-mails we get up to two weeks into our
6 presentation to the Board. So we're hoping that something
7 will come out of this that will be more effective than
8 what's gone before.

9 That's it. Thank you.

10 (Thereupon the Roundtable Discussion of the Tire
11 Product Commercialization Grant Program
12 adjourned at 4:20 p.m.)

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1 CERTIFICATE OF REPORTER

2 I, TIFFANY C. KRAFT, a Certified Shorthand
3 Reporter of the State of California, and Registered
4 Professional Reporter, do hereby certify:

5 That I am a disinterested person herein; that the
6 foregoing hearing was reported in shorthand by me,
7 Tiffany C. Kraft, a Certified Shorthand Reporter of the
8 State of California, and thereafter transcribed into
9 typewriting.

10 I further certify that I am not of counsel or
11 attorney for any of the parties to said hearing nor in any
12 way interested in the outcome of said hearing.

13 IN WITNESS WHEREOF, I have hereunto set my hand
14 this 19th day of July, 2004.

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